

Message Text

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C O R R E C T E D C O P Y -- PARA TWO OMMITTED --

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TAGS EFIN CI

SUBJECT PARIS CLUB - CHILE DEBT RESCHEDULING

PASS TREASURY FOR ASSISTANT SECRETARY HENNESSY FROM LARSEN

FOLLOWING ENGLISH TRANSLATION OF MEMORANDUM OF AGREEMENT
APPROVED TODAY BY PARIS CLUB RE JULY 12-13 MEETING ON CHILEAN
REQUEST FOR DEBT RESCHEDULING:
BEGIN TEXT

1 - THE REPRESENTATIVES OF THE GOVERNMENTS OF BELGIUM, CANADA,
DENMARK, THE FEDERAL REPUBLIC OF GERMANY, FRANCE, ITALY,
JAPAN, THE NETHERLANDS, SPAIN, SWITZERLAND, THE UNITED KINGDOM
AND THE UNITED STATES OF AMERICA (HEREINAFTER REFERRED TO AS THE
"PARTICIPATING COUNTRIES") MET IN PARIS ON THE 12 AND 13 OF JULY
1973 TO CONSIDER, WITH THE REPRESENTATIVES OF THE GOVERNMENT OF
CHILE, THE REQUEST MADE BY THAT GOVERNMENT FOR FINANCIAL ASSISTANCE
IN ALLEVIATING THE BURDEN WHICH THE EXTERNAL INDEBTEDNESS OF CHILE
IMPOSES ON ITS BALANCE OF PAYMENTS DURING 1973 AND 1974. REPRESENTATIVES OF THE INTERNATIONAL MONETARY FUND, THE INTERNATIONAL BANK
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FOR RECONSTRUCTION AND DEVELOPMENT, THE INTER AMERICAN DEVELOPMENT

BANK AND THE ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT ATTENDED THE MEETING. SWEDEN AND NORWAY WERE ALSO REPRESENTED BY OBSERVERS.

2 - THE CHILEAN REPRESENTATIVES STRESSED THAT THE IMMEDIATE OUTLOOK FOR CHILE'S BALANCE OF PAYMENTS MADE INDISPENSABLE, FOR THE RESCHEDULING OF THE NEW INSTALLMENTS FALLING DUE BETWEEN 1 JANUARY 1973 AND 31 DECEMBER 1974, FLEXIBILITY IN THE REPAYMENT TERMS SET FORTH IN THE MEMORANDUM OF AGREEMENT OF 19 APRIL 1972.

3- THEY OUTLINED THE ECONOMIC AND FINANCIAL PROGRAM F THEIR GOVERNMENT, IN THE LIGHT OF THE ECONOMIC AND FINANCIAL SITUATION WHICH HAD JUST BEEN THE SUBJECT OF THE ANNUAL CONSULTATION UNDER ARTICLE XIV OF THE ARTICLES OF AGREEMENT OF THE INTERNATIONAL MONETARY FUND.

4 - THE PARTICIPATING COUNTRIES TOOK NOTE THAT THE SUBSTANTIAL DISEQUILIBRIUM IN THE BALANCE OF PAYMENTS WOULD NORMALLY HAVE TO BE DEALT WITH, NOT ONLY THROUGH THE ASSISTANCE WHICH THEY MIGHT EXTEND TO CHILE BY AGREEING TO POSTPONE PAYMENT OF THE EXTERNAL DEBT, BUT ALSO BY TAKING RECOURSE TO AN I.M.F. STAND-BY CREDIT AND BY DEVELOPING APPROPRIATE FINANCIAL POLICIES.

THEY TOOK NOTE THAT SUCH POLICIES MUST EMBRACE THE REHABILITATION OF PUBLIC FINANCE, CONTROL OVER MONETARY EXPANSION, AND MEASURES IN RESPECT OF TRADE AND EXCHANGES RATES.

5. THE CHILEAN DELEGATION ANNOUNCED THE WILLINGNESS OF THE GOVERNMENT OF CHILE TO IMPLEMENT, WITHIN THE FRAMEWORK OF THE STRUCTURAL REFORMS THAT IT IS CARRYING OUT, GENERAL STABILISATION POLICIES, EXCLUDING, HOWEVER, A STAND-BY AGREEMENT WITH THE INTERNATIONAL MONETARY FUND. THE PARTICIPATING COUNTRIES NOTED IN PARTICULAR THAT IN RESPECT OF EXCHANGE RATES, THE INTENTION OF THE GOVERNMENT OF CHILE IS TO IMPLEMENT IN FULL AND AT THE APPROPRIATE TIME PARAGRAPH 6 OF THE SUPPLEMENTARY DECLARATION ANNEXED TO THE MEMORANDUM OF AGREEMENT OF 19 APRIL 1972.

THE PARTICIPATING COUNTRIES ARE THUS PREPARED TO CONSIDER A SOLUTION ALTERNATIVE TO A STAND-BY UNDER WHICH CHILE SETS FORTH

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THE ECONOMIC AND FINANCIAL POLICIES TO BE FOLLOWED AND THE GOALS WHICH SHE MUST ACHIEVE IN ORDER TO REALISE BOTH EXTERNAL AND INTERNAL OBJECTIVES.

6- THE PARTICIPATING COUNTRIES EMPHASIZED THEIR WILL TO REACH AN AGREEMENT FOR THE CONSOLIDATION OF CHILE'S EXTERNAL DEBTS AND THE PRIMARY IMPORTANCE WHICH MUST APPLY IN REGARD TO THIS, THAT CHILE'S REPAYMENT CAPACITY BE REESTABLISHED, THUS ENABLING HER,

IN THE LONG-TERM, TO SERVICE HER EXTERNAL DEBTS.

7- TO THIS END, THE PARTICIPATING COUNTRIES WOULD LIKE TO SEE THE GOVERNMENT OF CHILE PRESS AHEAD QUICKLY WITH THE IMPLEMENTATION OF THE ECONOMIC AND FINANCIAL STABILISATION PLAN WHICH ITS REPRESENTATIVES HAVE ANNOUNCED IN THE SECTORS SET OUT IN THE SECOND PART OF PARAGRAPH 4. THEY EMPHASIZE THEIR INTEREST IN THE PROPOSALS PUT FORWARD IN THE I.M.F. REPORT OF 5 JULY , AND IN THE DECISION OF 9 JULY OF THE I.F.F. BOARD OF DIRECTORS.

8 - THE CHILEAN DELEGATION MADE IT CLEAR THAT THEIR GOVERNMENT HAD BEGUN TO PUT INTO EFFECT A FINANCIAL STABILISATION PLAN AND THAT IT INTENDED TO COMPLEMENT IT WITH THE REQUISITE ADDITIONAL MEASURES WITHIN THE FRAMEWORK OF ITS GENERAL POLICIES. THE CHILEAN DELEGATION ANNOUNCED THAT THE GOVERNMENT OF THE REPUBLIC OF CHILE INTENDED BEFORE 30 SEPTEMBER TO INVITE AN I.M.F. MISSION TO EXAMINE FURTHER STABILISATION MEASURES WHICH WILL HAVE BEEN TAKEN.

9 - THIS I.M. F. MISSION WILL REPORT ON THESE FURTHER MEASURES TO THE PARTICIPATING COUNTRIES AND TO THE CHILEAN GOVERNMENT.

10- ON THEIR SIDE, THE PARTICIPATING COUNTRIES EXPRESS THEIR WILLINGNESS TO CONSIDER IN A SPIRIT OF UNDERSTANDING SOME FLEXIBILITY IN THE TERMS FOR CONSOLIDATION OF THE EXTERNAL DEBTS AS DESIRED BY THE GOVERNMENT OF CHILE, TAKING INTO ACCOUNT THE LONG-TERM REESTABLISHMENT OF CHILE'S CAPACITY TO REPAY AND THE MEASURES TAKEN TO THIS END.

11 - THE PARTICIPATING COUNTRIES WILL RESUME NEGOTIATIONS ON THE TERMS OF THE CONSOLIDATION ON A DATE TO BE AGREED BUT NO LATER THAN 31 OCTOBER 1973, FOLLOWING THE CIRCULATION OF THE NEW I.M.F. REPORT.

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12 - THEY NOTED WITH SATISFACTION THE PROGRESS MADE IN THE APPLICATION OF THE PRINCIPLES SET OUT IN PARAGRAPH 4 OF THE MEMORANDUM OF AGREEMENT OF 19 APRIL 1972 AND THEY EMPHASIZED THE IMPORTANCE OF THESE PRINCIPLES. THEY HOPE THAT THE NECESSARY BILATERAL NEGOTIATIONS WILL BE CONCLUDED AS SOON AS POSSIBLE. END TEXT
IRWIN

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